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# A survey of performance improvement through benchmarking in commercial banks in Kenya: The managers' perception and experience

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**Abstract:** This study sought to investigate the performance improvement through benchmarking in commercial banks in Kenya by focusing on the extent to which commercial banks used benchmarking, the relationship between benchmarking and organizational performance, and the challenges facing the adoption and implementation of benchmarking. Simple Random sampling technique was used to select two respondents from each bank. Both descriptive and inferential statistics were applied and Statistics Package for Social Sciences (SPSS) for windows version 20.0 was used for analysis. The analysis indicated that on overall, benchmarking has a positive and significant correlation  $r = 0.551$  and  $p < 0.001$  with organizational performance. The results indicated that benchmarking was an established performance improvement technique that was proved to be effective in the banking industry in Kenya over time. The researchers recommend that the benchmarking initiatives should incorporate the divergent views of all employees since at the end of it all these employees will need the information to improve the process.

**Keywords:** Benchmarking, Organizational Performance, Improvement, Commercial Banks

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## 1. Introduction

Benchmarking is the practice of determining the relative value of something by comparing it to a known standard (Tzu, 2002). In his work: *The Art of War*, Tzu gave a list of strategic assessments. He stated that you should compare yourself to your opponent in seven different ways before you engage them in war. By careful examination of who is superior in each of the seven parts, you will know who would win the war before you go to war. In business, similar comparisons are needed to assure survival. It is reasonable to assume that the company with the most efficient business processes, best products, shortest delivery and highest quality will lead its industry. Conversely, a company that excels in nothing needs to improve its practices to avoid elimination from competition. Benchmarking is a method of evaluating practices and

choosing new strategies in order to sustain a company (Andersen, 2006).

The current business practice and definition of benchmarking was created by Xerox in 1979. Xerox felt a need for a methodology that would allow them to catch up with their competitors. Benchmarking was created as a formalized tool for identifying and adapting better business processes. The Xerox method is still the reference method, and their methods have been adapted by other major companies (Andersen, 2006). Since its advent, several notable companies have used formal benchmarking techniques. With such strong endorsements, benchmarking has demonstrated itself as a business improvement technique that will be around for years to come.

### **1.1. Banking Industry in Kenya**

Under the constitution of Kenya (2010), the Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The CBK is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The banking sector was liberalized in 1995 and exchange controls lifted. These changes strengthened supervision of the banking industry, while at the same time encouraged self-regulation. This was also necessary to make the sector more dynamic while attempting to increase competition among the traditional banks that had dominated Kenyan finance (CBK, 2006).

According to the Kenya Bankers Association (KBA), there are currently forty three (43) commercial banks in Kenya with branch networks in all major towns of the country. The banks have come together under the Kenya Bankers Association, which serves as a lobby for the banking sector's interests. The KBA serves a forum to address issues affecting members.

Over the last few years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region, automation of a large number of services, and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Players in this sector have experienced increased competition resulting from increased innovations among the players and new entrants into the market (CBK, 2006).

### **1.2. Statement of the Problem**

The profitability of commercial banks depends heavily on their performance. Due to the problem of profitability and stiff competition in the industry, commercial banks need innovative techniques to enable quality improvement in order to gain or maintain competitive advantage and avoid elimination from the market. Benchmarking is one such technique that has become popular in the recent times. A study by Voss et al (2007) found a strong direct link between benchmarking and improved organizational performance. They suggested that benchmarking can promote higher performance by identifying best practices and setting challenging performance goals. It also helps organizations understand their strengths and weakness relative to competitors. Similarly, Ulosoy and Ikiz (2001) found that organizations that implemented best practices were better business and operational performers. Despite its popularity, no research had been conducted to determine the link between benchmarking and performance of commercial banks in Kenya. Therefore, this study sought to determine the extent of use of benchmarking in commercial banks in Kenya and the impact of its use on organizational performance.

### **1.3. Objectives of the Study**

The overall aim of this study was to investigate the performance improvement through benchmarking in commercial banks in Kenya. The specific objectives for the research are: to characterize the extent to which commercial banks have used benchmarking, and to determine the significant effect of benchmarking on organizational performance.

### **1.4. Significance of the Study**

The information from this study will be crucial on Benchmarking and organizational performance. All commercial banks and financial institutions will benefit from these insights with respect to this study in their policy formulation and implementation in their strategic plan with respect to the continuous improvement principle of Benchmarking in order to create competitive advantage and optimize on resource use in order to serve their clients better and improve their performance. The study findings will also be of great help to researchers/Academicians as it will identify gaps which are necessary for further research in areas related to Benchmarking & organizational performance. Other Organizations will also use the findings in policy formulation and implementation with respect to the continuous improvement principle of Benchmarking.

### **1.5. Scope and Limitation of the Study**

This study covered banks located within Nakuru town in Kenya. The study largely focused on performance improvement through benchmarking in commercial banks in Kenya. It mainly involved management level staff in the banks operating in Nakuru being the policy makers that give organizational direction. Banks not listed on the KBA bank listing of 14<sup>th</sup> October 2011 were not covered by the study.

## **2. The Review of Relevant Literature**

### **2.1. Organizational Performance**

The business environment in which organizations are operating in currently is highly competitive, rapidly changing courtesy of Information Technology thus organizations have been forced to consider, and adopt or implement, a wide variety of innovative management programs and techniques. One such program that has been used extensively is Benchmarking (Nyaoga et al., 2012). Performance is focused behavior or purposeful work (Rudman, 2008). That is, jobs exist to achieve specific and defined results (outputs) and people are employed so that organizations can achieve those results. This is performed by accomplishing tasks. High-performing organizations actively identify "key performance indicators," and measure their progress against established target values for those indicators, as a way of measuring their effectiveness. The key indicators are the performance measures (or metrics) of the enterprise.

Performance measures are based on data, and tell a story about whether an agency or activity is achieving its objectives and if progress is being made toward attaining policy or organizational goals. In technical terms, a performance measure is a quantifiable expression of the amount, cost, or result of activities that indicate how much, how well, and at what level, products or services are provided to customers during a given time period. Measures are a tool to help understand, manage, and improve (Rudman, 2008).

Most organizations measure their performance using the financial and non-financial measures. The financial measures include profit before tax and turnover while the non-financial measures focus on issues pertaining to customers' satisfaction and customers' referral rates, delivery time, waiting time and employees' turnover. Financial measures are objective, simple and easy to understand and compute, but in most cases, they suffer from being historical and are not readily available in the public domain.

Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern organizations have adopted a hybrid approach of using both the financial and non-financial measures. These measures serve as precursors for course of actions. The combinations of these two measures help the owners-managers to gain a wider perspective on measuring and comparing their performance, in particular the extent of effectiveness and efficiency in utilizing the resources, competitiveness and readiness to face the growing external pressure including globalizations.

The most common non-financial measures adopted by organizations are number of employees, growth in revenue across time, market share and revenue per employee. These measures need to be reviewed and updated regularly ensuring that they remain suitable for the changing environments, competition, availability of resources, meeting the stakeholders' needs and expectations, and fit into internal planning and target settings (Haber and Reichel 2005).

### **2.1.1. External Factors Influencing Organizational Performance**

**Talents and Skills of the Workforce:** Workers' influence on organizational performance is undeniably crucial. If businesses are to become high-performance organizations, they must have employees who possess the right skills, abilities, and mindsets. When sufficient numbers of appropriately skilled workers cannot be found or trained, organizational performance is bound to suffer (Watson Wyatt, 2006).

**Political and Regulatory Changes:** According to AMA/HRI Strategy Execution Survey (2006), laws and regulations can have a major impact on organizations. The survey revealed that government regulations are a major barrier to the execution of organizational strategy, second only to a scarcity of resources. Similarly, in 2006, nearly

two-thirds of 1,400 senior leaders in international businesses told PricewaterhouseCoopers that changing regulatory environments was the biggest obstacle they faced in guiding their organizations to success (Scalfane 2006).

**The Influence of Ethics:** An ethical atmosphere in an organization is good for efficiency and the bottom line. Ethical attitudes tend to translate into ethical behavior, in turn enabling those who deal with the organization to develop trust in the system. A lack of trust in an organization's fair dealing means all transactions must be monitored more closely, which takes time and drives up costs (Shaw 2006). To deliver effective performance, organizations need to work hard to create a shared vision and values among their people. People need to feel a sense of purpose which is reflected in a positive environment. If organizations are going to get the discretionary behaviors from individuals which are so important to business performance, they must work to create supportive cultures which encourage innovation and performance (The Stat, 2005).

### **2.2. The Benchmarking Process**

Benchmarking is a process that involves a number of steps. The Xerox method of benchmarking involves ten steps. They are: identify what is to be benchmarked; identify comparative companies; determine data collection method and collect data; determine current performance "gap"; project future performance levels; communicate benchmark findings and gain acceptance; establish functional goals; develop action plans; implement specific actions and monitor progress; and recalibrate benchmarks (Andersen, 2006).

Steps 1-3 depend on the benchmarker having an in-depth knowledge of their field. This is an important skill since the business process managers must be able to describe their process in their business processes language, know if their process is relatively efficient, and have some understanding of which companies are likely to be best in class for that business process. It is recommended that employees have active memberships in professional societies, regularly read job function journals, share process improvement discoveries with peer groups and attend conferences and tours.

Steps 3 and 4 identify where a competitive gap exists and the size of the gap. With the correct gathering of performance data, cost numbers can be generated for each performance deficiency. Teams that visit benchmarked companies can compare the new hardware requirements for the different business process. Armed with the changeover costs, the expected benefit and an estimate of the required effort, priorities can be assigned to possible process changes.

Steps 5-7 involve selling the change ideas. These steps also provide the opportunity to resolve any issues prior to the development of the action plan. Alternative ideas are also presented to the managers authorizing the changes,

and the peers and workers who must implement the changes.

Steps 8 and 9 are the processes of determining plans of action, implementing them, and monitoring progress towards goals. These are not unique to benchmarking, but are critical to the benchmarking process.

Step 10 is the benchmarking term for repeating the process again for continuous improvement. Benchmarking realizes that today's world class performance levels are likely to be lower than next year's performance goals. As an example, despite great improvements in US automotive quality, the defect rates of Japanese automobile makes are still 20 percent lower. Even if a company catches up with a competitor's past performance, it could still be lagging compared to current performance. As a result, every one to three years, companies need to look outward to determine what the current best-of-class levels are and how their company compares.

### **2.3. Approaches to Benchmarking**

The literature on benchmarking is equally undecided about the different approaches to benchmarking. While McGaughey (2002) suggested that there are three types of benchmarking – internal, external and best practice, Behara and Lemmink (2007) classified benchmarking on the basis of what is being benchmarked (functional, performance, generic, process and strategic) or who is being benchmarked (internal, competitive or non-competitive). On the other hand, Fong et al. (2008) classified benchmarking on the basis of who is being benchmarked (internal, competitor, industry, generic, global), content of benchmarking (process, functional, performance, strategic) and purpose of the relationship (competitive and collaborative). However, because this study seeks to investigate the impact of benchmarking on performance improvement, in addition to the dangers of misinterpretation that may arise from organizational differences, a more widely accepted distinction between best practice (or process) and performance (or results) benchmarking is adopted. According to Hinton et al. (2000), a benchmarking process can be either process or performance benchmarking and they further suggested that most benchmarking carried out is performance benchmarking and not process benchmarking. Sweeney (2004) similarly asserted that the benchmarking of processes is a different task from comparing equivalent financial results. Delpachitra and Beal (2002) described process benchmarking as the analysis of discrete work processes with the aim of identifying the most effective operating practices from many companies that perform similar work functions. Adebajo and Mann (2007) described performance benchmarking as the comparison of performance levels or results without taking into account, the practices that led to such performance.

### **2.4. Benchmarking and Performance Improvement**

Research by Knights and McCabe (2006) detail the role of benchmarking in different quality management initiatives throughout British banking. The results showed that British banks have gradually adopted quality initiatives and gained significant success in quality management through benchmarking.

Whymark (2008) explored differences in attitudes to the adoption of best practice benchmarking between manufacturing and financial services through a credit risk management consortium. The result revealed that benchmarks enabled organizations to challenge their own policies, procedures and operational processes based on fact and objective analysis.

Hess and Francis (2004) document how efforts to benchmark by depository institutions in New Zealand against an international sample of banks were curtailed because of fears that the level of collaboration required for best practice benchmarking could trigger the potential intervention of competitive authorities or bank regulators. Their case study also illustrates the limitations of publicly available information for benchmarking in financial services.

Research by Akuma (2007) on the use of benchmarking as a continuous improvement tool by the ministry of agriculture parastatals in Kenya found out that most parastatals had systems that facilitate the systematic comparison and evaluation of practice, process and performance with any "best practices or smarter" institutions in improvement and self-regulation. He argued that continuous improvement adopts an approach to improving performance which assumes more and smaller incremental improvement steps.

A study by Mutuku (2010) on the relationship between benchmarking and financial performance of SACCOs in Nairobi found out that benchmarking is used at the SACCOs as an incremental continuous improvement tool that has enhanced the overall business performance realized by the SACCOs by helping to change internal paradigms and 'see out of the box'. The study further established that financial benchmarking had the highest relationship with the Sacco performance.

A research by Wanyama (2012) on the effect of benchmarking on performance: evidence from freight forwarding firms in Kenya, found out that factors that enhance benchmarking success in freight and forwarding companies include; internal assessment, management commitment, benchmarking limitation, employee participation and role of quality department. He further argues that benchmarking activities must be specific to the environment and constraints of the organization if the implementation of the practices identified by such activities is to succeed and result in increased performance.

A Survey of benchmarking practices in higher education in Kenya: the case of public universities by Magutu et al (2011) found out that participating in benchmarking would

give Kenyan public universities a better understanding of practice, process, or performance and insights of the academic operations and functions. The three most critical factors facing the benchmarking processes in Kenya were found to be: time and resource availability; limited duration; comparability and compatibility which happened to be the probable reason why the institutions don't practice international benchmarking.

Although benchmarking is commonly regarded as popular and well established and beneficial to organizations, a number of studies have questioned various aspects of benchmarking perception and deployment. Fong *et al.* (2008) argued that benchmarking suffered from a lack of consensus about its classifications and that some of the models used in deploying benchmarking had significant shortcomings. Other studies have criticized the lack of involvement of employees in the benchmarking process (Bhutta and Huq, 2002). Carson *et al.* (2009) suggested that benchmarking was a fad while Ahmed and Rafiq (2008) wrote that a minority of management theorists considered it to be a fad. These criticisms indicate that while benchmarking is acknowledged to be a useful technique, there are still doubts about how and why it is deployed. There is need therefore for a study to clarify the current state of the use of benchmarking.

### 2.5. Benchmarking and Management fads

Carson *et al.* (2009) defines management fads as managerial interventions which appear to be innovative, rational and functional and are aimed at encouraging better organizational performance. They further suggested that fads have a four step life-cycle comprising invention, acceptance, disenchantment and decline. They suggested that reasons for fad adoption include a need to conform and a pressure to react to market and competitor activities. Van der Wiele *et al.* (2000) asserted that most fads fade away after a short period of time. The disenchantment with fads and their short life span are encouraged by the realization that the expected benefits were not attained. Kumar *et al.* (2008) suggested that faddish ideas tend to be simple, prescriptive and transient but cautioned against following fads by suggesting that they lead to organizational problems. However, fads are not simply good or bad and characterizing new management theories and practices as fads was described as a tactic used by critics who wish to undermine the legitimacy of new developments in management practice (Kumar *et al.*, 2008). Many academics are in agreement that some "fads" become established management principles or techniques and according to Towill (2006), fads can become management paradigms. To make this transformation and become effective, the fad must survive over time and become incorporated in the day-to-day fabric of an organization.

Benchmarking has been criticized as an established management technique. Carson *et al.* (2009) suggested that benchmarking was a fad while Ahmed and Rafiq (2008) wrote that a minority of management theorists considered it

to be a fad. On the basis of the literature presented in this section, two criteria will be fundamental in making this judgement. First, has benchmarking survived over the past 25 years and how does it rank against other management theories and second, does it deliver operational and business benefits when adopted.

Although benchmarking is commonly regarded as popular and well established and beneficial to organizations, a number of studies have questioned various aspects of benchmarking perception and deployment. Fong *et al.* (2008) argued that benchmarking suffered from a lack of consensus about its classifications and that some of the models used in deploying benchmarking had significant shortcomings. Other studies have criticized the lack of involvement of employees in the benchmarking process (Bhutta and Huq, 2002). Some studies have identified financial performance as the key reason for benchmarking (Maiga and Jacobs, 2004), but however, according to Anderson and McAdam (2006), focusing benchmarking on financial performance is backward looking and more predictive measures of performance need to be applied to benchmarking. These criticisms indicate that while benchmarking is acknowledged to be a useful technique, there are still doubts about how and why it is deployed. There is need therefore for a study to clarify the current state of the use of benchmarking.

## 3. Methodology of the Study

The research design used for this study was descriptive survey. The target population constituted all managers from all the twenty five (25) banks within the Nakuru town. Simple Random sampling technique was used to select the respondents. Managers were deemed to be well versed with benchmarking matters in their respective banks see table 1 below.

*Table 1: Target population*

Population	Total Population
Branch Managers	25
Departmental Managers	100
Total	125

Based on the above, a Sample of fifty (50) respondents was considered. This conformed to the widely held rule of thumb that to be representative, a sample should have 30 or more test units (Mugenda & Mugenda, 1999).

The study mainly used primary data collected through semi-structured questionnaire that was self-administered. The data collected was cleaned, validated, and edited for accuracy, uniformity, consistency and completeness. The data was then analyzed using the Statistical Package for Social Sciences (SPSS) version 20.0 for windows. Both descriptive and inferential statistics were employed to analyze data. The Pearson-Product Correlation Coefficient was used to determine the strength and the direction of the

relationship between Benchmarking & Organizational Performance, while regression analysis was used to assess the level of influence of the independent variable (benchmarking) on the dependent variable (organizational performance). The regression model used was as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \quad (1)$$

Where;

$Y$  = is organizational performance (dependent variable)

$X_1$  = is internal comparisons (independent variable)

$X_2$  = is external comparisons (independent variable)

$\varepsilon$  = is the error term

## 4. Data Analysis, Empirical Results and Interpretation

### 4.1. The extent of Use of Benchmarking in Commercial Banks in Kenya

The respondents were asked to indicate if they applied Benchmarking in the Banks to improve the organization's performance, and the results are displayed in figure 1 below. The respondents were asked whether they use benchmarking. They were also asked to indicate the period they have used the benchmarking initiative. Majority (95%) of the respondents indicated that they used benchmarking, with 50% of these respondents indicating that they had used the benchmarking initiative for a period of more than 10 years as shown in figure 1 below. This shows that benchmarking is not new but a technique that has become popular in the banking industry. This also affirms the research by Carson et al. (2009) that benchmarking is an established continuous improvement technique and not a management fad that will fade out with time.

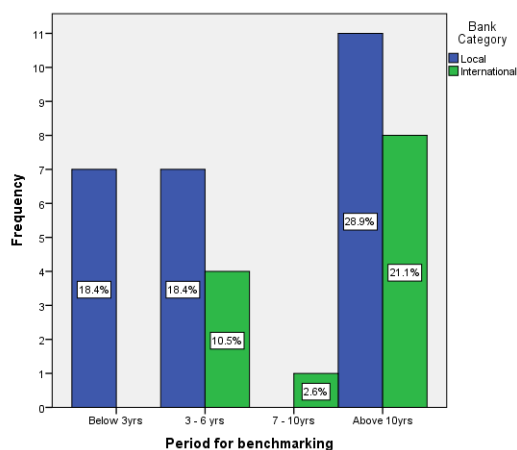


Figure 1: Duration of use of the benchmarking initiative  
Source: Researcher (2013)

The benchmarking practices of the commercial banks were assessed on two dimensions namely; internal comparisons, and external comparisons. A series of six indicators/ statements were used seeking the respondents to indicate the degree to which they were present for the

banks benchmarking initiatives. Internal comparisons looked at any internal benchmarking practices such as comparing between the bank's current and previous performance, between departments/ sections or among employees. External comparisons encompass comparing the organizations performance with other organizations in the same industry or in another industry within or outside the country. The respondents rated all the two dimensions above average with the mean scores between  $\bar{x} = 3.62$  and  $\bar{x} = 4.41$ . This shows that commercial banks in Kenya generally involve themselves in both internal and external benchmarking practices. This affirms Murray et al. (2007) assertion that only internal comparisons will be insufficient if organizations want to be able to dominate markets and produce exceptional performances, hence the need to analyze the best products and processes of leading competitors in the same industry, or leading organizations in other industries, using similar processes.

However, only 32.5% of the respondents involved internal and external benchmarking experts with a majority (80%) indicating that only the senior management comprises the benchmarking team as shown in table 2 below. This indicated lack of divergent views and expert knowledge in most banks benchmarking initiatives. This was contrary to Anderson's (2007) proposition that the benchmarking team should include a diverse set of views and experiences. Moreover, Anderson states that while a member from upper management, who can act as champion, is desirable, it is not completely necessary if the team is given the freedom and resources needed to complete the task. If there is no such member, however, it does place more pressure on the team to demonstrate the potential gains of the changes prior to implementation.

Table 2: Composition of the benchmarking team

Composition of the benchmarking team	Total
Senior management	(80.0%)
Customers	(37.5%)
Internal benchmarking expert	(32.5%)
External benchmarking expert	(32.5%)
Middle management	(27.5%)
All employees	(20.0%)
Selected employees	(17.5%)
Suppliers	(7.5%)
<b>Total</b>	<b>(100.0%)</b>

Source: Researcher (2013)

### 4.2. The effect of Benchmarking on Organization Performance

The study sought to determine whether there was any significant effect of benchmarking on organizational performance of commercial banks located within Nakuru town. To establish the relationship between the two

variables, the study used both correlation and regression analysis. Internal comparisons and external comparisons were used to indicate the degree/extent to which commercial banks were involved in benchmarking initiatives. The correlation analysis indicated a strong and positive correlation ( $r = 0.551$  and  $p < 0.001$ ) between benchmarking and organizational performance, which suggests that the commercial banks that implemented more of the benchmarking best practices were more likely to achieve improved organizational performance, and vice versa. This affirms Ulusoy and Ikiz (2001) proposition that organizations that implemented more of the benchmarking best practices were better business and operational performers. A significant relationship was also established between each of the two dimensions of benchmarking practices, with internal comparison ( $r = 0.584$  and  $p < 0.001$ ) and external comparison ( $r = 0.420$  and  $p = 0.008$ ) as shown in table 3 below.

**Table 3:** Result on the correlation analysis (2-tailed test)

Index score	Organizational performance
Benchmarking	.551** .000
Internal comparison	.584** .000
External comparison	.420** .008

Source: Researcher (2013)

The findings support earlier study undertaken by Mutuku (2010) to determine the relationship between benchmarking and financial performance of SACCOs in Nairobi. This study established that financial benchmarking had the highest relationship with the Sacco performance. Specifically, the results indicated that benchmarking is an incremental continuous improvement tool that has enhanced the overall business performance realized by the SACCOs by helping to change internal paradigms and 'see out of the box'

Simple regression analysis was also conducted to determine the extent to which the changes in the dependent variable (organizational performance) were explained by the changes in the independent variable (benchmarking). The regression analysis gave a coefficient of determination ( $r^2$ ) of 0.355, which means that 35.5% of any change in the level of organizational performance of commercial banks is influenced by benchmarking. This indicates that the Benchmarking was not the only factor to explain the changes in organizational performance since other factors not investigated in the study contribute to 64.5% of the organizational performance of commercial banks in Kenya. In overall, it was evident that the model was statistically significant ( $F = 9.914$  and  $p < 0.05$ , at 5% level of significance) in predicting the influence of benchmarking on organizational performance. Moreover, the slope coefficients ( $\beta_1 = 0.625$  and  $\beta_2 = 0.12$ ) was found to be greater than zero hence the model proved to be useful.

The findings support earlier study undertaken by Mutuku (2010) to determine the relationship between benchmarking and financial performance of SACCOs in Nairobi. This study established that benchmarking had the highest relationship with the Sacco performance.

Therefore the equation for the regression model can be given by:

$$Y = a + \beta_1 X_1 + \beta_2 X_2$$

$$Y = 2.511 + 0.625X_1 + 0.12X_2$$

Where;

$Y$  = is organizational performance (dependent variable)

$X_1$  = is internal comparisons (independent variable)

$X_2$  = is external comparisons (independent variable)

### 4.3. Challenges to Successful Implementation of Benchmarking

The respondents were asked to indicate the hindrances to successful implementation of benchmarking projects in their respective banks. The respondents indicated that long time frame to complete projects, fear of sharing information, and high costs of benchmarking were found to be the main challenges to implementation of benchmarking projects in the banking industry in Kenya. However, these challenges were rated slightly above average which suggests that their impact was not great. Majority of the challenges were rated below average with 'no clear benefit from benchmarking' rating the least of the challenges as shown in table 4 below. These findings contradicts the findings of Magutu et al (2011) that indicated that most critical factors facing benchmarking processes in Kenya were time and resource availability, limited duration, and comparability and compatibility issues.

**Table 1:** Challenges to benchmarking

Statement	Mean
Long time frame to complete projects	3.05
Fear of sharing information	3.03
High costs of benchmarking projects	3.00
Lack of resources	2.87
Lack of top management commitment	2.84
Lack of technical knowledge in planning benchmarking projects	2.79
Lack of understanding of benchmarking	2.68
Lack of benchmarking partners	2.49
No clear benefit from benchmarking	2.44

Source: Researcher (2013)

## 5. Conclusion and Recommendations

In line with the three study objectives, the following summary and conclusions were arrived at with respect to

the establishment and documentation of the benchmarking practices in the Banking industry in Kenya; and the identification of the challenges facing benchmarking of banking services in Kenyan banking sector.

The study found out the following; Firstly, benchmarking is not new but a technique that has become popular in the banking industry in Kenya. Despite the fact that commercial banks in Kenya have involved in both internal and external benchmarking practices, there has been lack of involvement of both internal and external benchmarking experts. Secondly, a strong and positive relationship was established between benchmarking practices and organizational performance. Banks that implemented more of the benchmarking best practices were more likely to achieve improved organizational performance. Finally, long time frame to complete projects, fear of sharing information, and high costs of benchmarking were found to be the main challenges to implementation of benchmarking projects in the banking industry in Kenya. However, 'no clear benefit from benchmarking' was found to be the least of the challenges.

Based on the research findings, the research made the following recommendations; first, the benchmarking team should include a divergent set of views and experiences. Apart from the senior management, an effective team should incorporate the view of other employees especially from the benchmarking target area/department. Not involving employees during the process may not be a good idea. Ultimately, these employees will need the information to improve the process. Second, there is a need for training and skills development. It is also important to promote the fact that benchmarking can be used across all areas of an organization, is effective and can help improve performance.

## 6. Further Research

Benchmarking as a continuous improvement tool is applicable in all industries. The researcher recommends more studies to be conducted to determine the extent to which other organizations outside the banking sector use benchmarking as a continuous improvement tool. This will help in identifying the challenges facing Kenyan organizations in the implementation of benchmarking best practices and how best the benchmarking projects can be conducted in the light of these challenges.

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